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ADDENDUM

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REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION

Addendum

1. In its sixteenth annual report 1/ the Commission had informed the General Assembly and the legislative bodies of other organizations of the common system of the two sessions held in 1990, the thirty-first and thirty-second. Details of the issues considered at those two sessions were also provided in that report. The Commission held a special session, the third since its inception, at United Nations Headquarters in New York from 5 to 9 November 1990. A report on two issues, namely, the net remuneration margin and the place-to-place cost-of-living surveys at headquarters duty stations, is provided in the present addendum. A report on the remaining issues on the Commission's agenda for the special session, i.e., those dealing with a review of the functioning of ICSC and the Geneva General Service salary survey, will be submitted in 1991.

CONDITIONS OF SERVICE OF THE PROFESSIONAL AND HIGHER CATEGORIES

A. Evolution of the margin between the net remuneration of the United States federal civil service and that of the United Nations system

2. The Administrative Committee on Co-ordination (ACC), at its recent session, decided that ICSC should be requested urgently, even at its special session, to devise a way of ensuring that purchasing power was maintained across the United Nations common system and, in the mean time, to ensure also that the post adjustment system operated smoothly through the coming year in accordance with the normal movement of the cost-of-living at the base of the system. In view of that request, the Commission considered the matter at its third special session and examined updated information concerning the evolution of the post adjustment index (PAI), the anticipated date of application of the next class of post adjustment for New York and its impact on the estimated level of the margin.

Views of the organizations

3. The Vice-Chairman of the Consultative Committee on Administrative Questions (CCAQ) noted that if a further increase in post adjustment were to become applicable in New York sometime in the second or the third quarter of 1991, that would place the margin over the upper limit of the margin range. In that case the possibility of a freeze on remuneration in New York and, in turn, for all other duty stations could not be discounted. The organizations were of the view that that situation would not only negate the increase in salary approved by the General Assembly effective 1 July 1990 but also, in many instances, would result in a loss of purchasing power greater than the gain from the salary increase. He therefore requested the Commission to address the issue of the freeze methodology on a priority basis, either at the special session or, at the latest, at its March 1991 session. He also requested the Commission, while reporting on the developments concerning the margin since its thirty-second session, held in July and

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August 1990, to inform the General Assembly of the latest developments regarding the pay system for the comparator civil service.

Views of the staff representatives

4. The President of the Federation of International Civil Servants' Associations (FICSA) stated that a number of important developments had occurred vis-à-vis the pay system for the comparator civil service that would result in a profound impact on the salaries of the comparator civil service employees. That, he added, would in turn have an impact on the United Nations/United States net remuneration margin. The Federation was of the view that it was inappropriate to operate a salary system in which freezes on remuneration were applied during certain periods and significant increases were granted during other periods. The President of FICSA expressed the view that such a phenomenon should not form part of a salary system. He added that the Commission should take into account the latest developments relating to the comparator civil service and make new recommendations to the General Assembly regarding the operation of the post adjustment system within the margin range.

5. The representative of the Co-ordinating Committee for Independent Staff Unions and Associations of the United Nations System (CCISUA) stated that the situation with regard to the emoluments of the Professional and higher categories of staff was unstable. He noted that the system had just emerged from a prolonged remuneration freeze, which had gone into effect in 1984, and that some duty stations were still experiencing the effects of the freeze. Just when the staff was looking forward to some stability in the system, the possibility of another freeze was looming on the horizon. He indicated that the Commission should view the situation with utmost concern and make appropriate recommendations to the General Assembly.

Discussion by the Commission

6. Before turning to the question of the evolution of the PAI for New York and its impact on the net remuneration margin in 1991, the Commission examined the updated information with regard to the margin for the current margin period, that is, 1 January to 31 December 1990. It was recalled that at its thirty-second session (July/August 1990) the Commission had been informed that post adjustment multiplier 54.2 was projected to become effective in New York from 1 October 1990 and that that was to be followed by an increase to multiplier 55 effective 1 November. On the basis of the implementation of those multipliers and the level of the cost-of-living differential of 111.3, a margin level of 117.4 had been calculated and reported to the General Assembly. 2/ As a result of the movement of the PAI, the increase in post adjustment projected for October had not materialized. However, multiplier 55 had become applicable effective 1 November as anticipated. As a result of that, and also owing to a slight increase in the New York/Washington, D.C. cost-of-living differential (from 111.3 to 111.5), a revised level of the margin of 116.8 for the current margin period was calculated. The Commission decided to report the revised level of the net remuneration margin to the General Assembly.

7. The Commission had also reported to the General Assembly that a 4.1 per cent across-the-board increase in salaries was anticipated for United States federal civil service employees effective 1 January 1991. Furthermore, on average a 22 per cent increase in salaries was also expected to be granted to those in the

Senior Executive Service of the comparator civil service effective the same date. Post adjustment class 9 (multiplier 55) was implemented in New York from 1 November 1990. Assuming that that post adjustment class was maintained for the entire period 1 January to 31 December 1991 and that the cost-of-living differential remained at a level of around 111.3, the margin for the period could reach a level of around 120. The Commission had provided that very preliminary estimate to the General Assembly on the basis of certain assumptions that it also provided to the Assembly with the estimate. 3/ Of those assumptions, those concerning increases for the comparator civil service had been confirmed. As regards the movements of the consumer price indices (CPIs) for New York and Washington, the PAIs for the two cities and the resulting cost-of-living differential, the earlier assumptions could continue to be maintained for the time being. Consequently, without a further change in the remuneration for United Nations officials in New York, there was a high probability of the margin reaching a level around 120.

8. As regards the evolution of the PAI for New York for 1991, it was essential to make some assumptions concerning two elements that had an impact on the PAI, namely, the CPI and the out-of-area factor. As the Commission has informed the General Assembly earlier, the movement of the out-of-area factor was tied very closely to the level of the United States dollar vis-à-vis the remaining currencies in the basket of currencies used for the calculation of that factor. If it was assumed that (a) the rate of inflation in New York would be the same in future as it had been for the past 6 months and (b) the out-of-area factor remained at the average level for the past 12 months, then the PAI for New York would trigger a post adjustment increase in May 1991. The assumption with regard to the out-of-area factor implied that the dollar would continue to weaken in future at the same rate as it had done for the past 12 months. However, if it was assumed that the dollar would not weaken further or that the future rate of its devaluation would be lower than that in the past, then the trigger point would be reached somewhat later. In that event, it might be assumed that the increase in post adjustment in New York could come about as late as August 1991. Irrespective of whether the post adjustment increase was triggered for May 1991 or later, the resulting margin would be higher than the upper limit of the margin range. However, according to the existing methodology, the increase in New York could not be granted, thus resulting in a similar freeze on remuneration at duty stations around the world.

9. In its sixteenth annual report, the Commission reported to the General Assembly the difficulties associated with a freeze, particularly if it were to be applied over extended periods of time. 4/ The Commission once again invites the General Assembly to note that the possibility of a freeze on the remuneration in New York and at other duty stations in 1991 is very real and could result in undesirable consequences. Such consequences could be extremely serious if the freeze were to apply over extended periods of time. That could be avoided only if the General Assembly reconsiders its requirement that the average margin over a five-year period be maintained around the mid-point of the range. If the margin were allowed to fluctuate freely within the range, a freeze on remuneration, should it become necessary, would be of a short duration and therefore significantly less disruptive. One member of the Commission was of the view that it would be premature to implement a freeze on remuneration before all the short-term and long-term implications of the forthcoming changes in the comparator salary system were properly analysed as to their impact on the United Nations system.

10. The Commission was informed by its secretariat of the recent developments regarding the pay system for the United States federal civil service as stated in the Federal Employees Pay Comparability Act of 1990. Along with the preliminary estimates of the evolution of the margin and the resulting impact on the operation of the post adjustment system, the Commission also decided to present to the General Assembly the following details of the Act. Under this legislation, the process of overhauling the uniformity in the current General Schedule will commence. Under the current system, everyone of the same rank receives the same salary and the same annual raise. That will be replaced by the revised system in which a portion of workers' annual raise will be linked to local labour markets. For 1992 and 1993, employees will be guaranteed up to a 5 per cent annual raise based on the employment cost index (ECI), which measures the changes in private local labour market salaries and wages. In the event the ECI should exceed 5 per cent, the President can decide whether to grant workers a higher increase. Under those provisions of the Act, a 4.2 per cent increase in salaries is likely to be granted to federal civil service employees from 1 January 1992. In accordance with the Act, locality adjustments will begin in 1994 and annual raises equal to the ECI up to 5 per cent minus 0.5 per cent are guaranteed. Additionally, workers in high-cost cities will receive an adjustment based on the locality. That adjustment would amount to 20 per cent of the total federal-private pay gap in 1991 and will be applied only in areas where the gap is at least 5 per cent. Beginning in 1995 and every year thereafter, the remaining gap between federal and non-federal wages would be narrowed at the rate of 10 per cent of the gap. Under the Act, through 1994, the President's authority for pay setting is limited. He may reduce the amount of the annual adjustments in very serious circumstances, such as if there was a war or if there was a negative gross national product growth for two consecutive quarters. Beginning in 1995, however, the President regains his broad discretion to set salaries and could refuse to agree to enough money to pay for narrowing the gap. The United States Administration and Congress have committed sufficient funds over the three years beginning in 1992 for the ECI-based raises as well as the locality-based raises in 1994. A number of parts of the Act give discretionary authority to the President concerning immediate locality adjustments, adjustments for entry-level jobs, higher payments for critical positions etc.

11. If the provisions of the new Federal Employees Pay Comparability Act of 1990 as outlined above are implemented fully, a significant impact on United States federal civil service salaries for those employees in Washington, D.C. could be expected in 1994. This in turn could reduce the United Nations/United States net remuneration margin.

Decisions of the Commission

12. The Commission decided:

(a) To report the revised level of the net remuneration margin of 116.8 for the calendar year 1990 to the General Assembly;

(b) To inform the General Assembly that, based on the current predictions, there was a possibility that the net remuneration margin for calendar year 1991 could exceed 120;

(c) To reiterate its earlier request to the General Assembly to reconsider its request to the Commission to manage the margin over a five-year period so that the average margin would be around the mid-point of the range;

(d) In view of the developments regarding the level of the margin, to address the issue of the freeze methodology as a priority issue at its March 1991 session and to submit a report thereon to the General Assembly at its forty-sixth session.

B. Report of the Advisory Committee on Post Adjustment Questions on the work of its first special session

13. At its third special session, the Commission considered the report of the Advisory Committee on Post Adjustment Questions (ACPAQ) on the work of its first special session. The report dealt with the methodology applied in the place-to-place surveys carried out at the seven headquarters duty stations and Washington, D.C. and gave the results of those surveys, as summarized below:

Summary of the results of the 1990 cost-of-living comparisons between New York and Geneva, London, Montreal, Paris, Rome, Vienna and Washington, D.C.

Duty station	Survey date	Exchange rate	Existing PAI a/	PAI	Difference between new and existing PAIs (percentage)
New York	March 90	1.00	152.50	-	-
Washington	April 90	1.00	138.60	138.93	+0.2
Geneva	May 90	1.46	187.30	186.97	-0.2
Vienna	June 90	11.80	163.44	161.35	-1.3
London	May 90	0.62	149.95	153.11	+2.1
Montreal	June 90	1.18	134.83	136.03	+0.9
Paris	May 90	5.64	159.90	163.33	+2.1
Rome	April 90	1 265	154.03	156.01	+1.3

a/ The existing post adjustment index (PAI) was calculated using the exchange rate prevailing on the survey date at the respective duty station.

The table shows the PAIs rebased to New York, July 1981 = 100. For comparison purposes, PAIs resulting from the updating of previous survey results (i.e., existing indices) are presented in the same table.

Views of the administrations

14. The Vice-Chairman of CCAQ noted that the surveys had been carried out in a relatively short period, which had necessitated some innovative approaches on the part of the ICSC secretariat. In those circumstances, the initiatives the

secretariat had taken were appreciated; however, they had to be seen as interim arrangements and not final adaptations of the methodology. In some areas much more work was necessary. For example, CCAQ had some conceptual reservations about the introduction of "standardization" in the comparison of housing in the current round of surveys. That treatment of housing should be seen as a first step towards a comparison much more geared to the use of external data. On the subject of external data, he further recalled that, on the advice of ACPAQ, the Commission had already decided to use external data sources for prices and housing costs to supplement or replace existing sources and to streamline the post adjustment system. He did not think therefore that the matter needed to be reviewed by ACPAQ at its next session. In presenting the results of the surveys, he urged the Commission also to advise the General Assembly on the way in which the survey results would affect the pay index (multipliers) as well as the post adjustment index in each location.

Views of staff representatives

15. The President of FICSA expressed appreciation both for the quality and quantity of work carried out by the ICSC secretariat in the limited time available. He stressed that future surveys must be scheduled in such a manner as to provide sufficient time for the collection of prices and to permit proper consultations between the parties concerned. He noted the positive impact that the participation of independent observers had had with respect both to transparency and the technical results of the surveys. In view of that successful experience, he recommended that the practice should become a permanent feature of future surveys.

16. The President of FICSA referred to a number of technical problems with respect to the treatment of housing, education costs, medical insurance and car insurance, which remain to be solved. The list of items should be reviewed for updating (particularly the list of durable goods), and the specification of certain items should be made more precise to avoid problems of comparing items of different quality. Those questions should be addressed before completing the present round of surveys. He acknowledged the low rate of response of the staff to the survey questionnaires despite efforts by FICSA and member staff associations/unions to encourage the fullest participation. FICSA believed that the poor rate of response results was due primarily to the fact that staff had lost confidence in the ability of the common system to correct existing defects. New approaches should be examined in order to rectify the situation. FICSA stood ready to co-operate, as in the past, to bring about the needed improvement.

17. The President of CCISUA expressed his appreciation for the speed at which the place-to-place surveys had been carried out. However, he feared that for the sake of expediency the surveys had not been carried out in full and that there were still some omissions present in the survey results. His fears were borne out by the many modifications to the survey results during the course of the ACPAQ meeting. He asked for a flexible approach to the implementation of the survey results, should further omissions be detected in the survey data. He noted that this was the first time the staff were participating in the place-to-place surveys and insisted that the practice should be continued for all surveys in future. He also asked for the inclusion of more details for the description of the items used for the surveys, as he feared that the omission of detailed description of the items introduced undue distortions in the surveys.

Discussion by the Commission

18. The Commission expressed the view that the General Assembly's timetable for the completion of a round of place-to-place surveys, "preferably by the end of 1991", represented an exceptionally heavy demand on the limited available resources. It noted that the recently conducted place-to-place surveys at the seven headquarters locations and Washington, D.C. and the surveys being conducted at 11 field duty stations with more than 150 staff members would cover about 70 per cent of the international staff of the common system. However, the coverage of the remaining 30 per cent by the end of 1991 involving the surveys of about 150 duty stations would stretch the resources of the Commission and its secretariat even further. It also noted that under the ICSC secretariat's programme of work, about 90 per cent of staff would have been surveyed by the end of 1991.

19. The Commission noted that the methodology outlined in its fifteenth annual report 5/ had been applied in the place-to-place surveys at Geneva, London, Montreal, New York, Paris, Rome, Vienna and Washington, D.C. In particular, common weights had been used across the duty stations for all expenditures, excluding pension contribution, housing and medical insurance. Based on experience with the use of housing standards in the place-to-place surveys, the Commission was of the view that, while the approach had proved satisfactory, further investigations should be carried out as regards housing comparisons involving field duty stations. It also noted that the present survey results were based on a number of recommendations currently before the General Assembly concerning the treatment of housing in the post adjustment system. The results presented were therefore contingent upon the General Assembly's adoption of those recommendations. Some members of the Commission reiterated the reservations they had expressed earlier in the year concerning the continued inclusion of housing in post adjustment. They indicated that problems encountered in respect of the treatment of housing in the current round of surveys reflected the same set of methodological problems, which they believed would have been avoided if housing were taken out of post adjustment.

20. The Commission noted that the implementation date of the survey results would be 1 January 1991. As the difference between post adjustment multipliers and PAIs would not exceed one full class in the case of any of the reported duty stations, the resultant multipliers would not be reduced as a consequence of the implementation of the new PAIs. Such gaps as existed in some duty stations between indices and multipliers would, therefore, be left to close in the normal fashion through the upward movement of indices as a result of changes in their components.

Decisions of the Commission

21. The Commission approved the results of the place-to-place surveys provided in paragraph 13 above.

22. The Commission decided:

(a) To inform the General Assembly that:

(i) The place-to-place surveys had been finalized at the seven headquarters duty stations and Washington, D.C.;

(ii) The surveys at the six duty stations with more than 150 staff members would be completed by the end of 1990 and the balance of the five other

large duty stations would be completed by early 1991. The total number of staff at those duty stations constituted about 70 per cent of all international staff in the common system;

(iii) By the end of 1991, the surveys completed would cover about 90 per cent of the staff, leaving only 10 per cent to be covered in 1992. Every effort would be made to finalize the current round of place-to-place surveys before the end of 1992;

(b) To draw the attention of the General Assembly to the difficulty inherent in conducting a full round of surveys at headquarters duty stations in the space of one year while upholding both adequate technical standards and an appropriate level of participation by administrations and staff.

Notes

1/ Official Records of the General Assembly, Forty-fifth Session, Supplement No. 30 (A/45/30).

2/ Ibid., para. 188.

3/ Ibid., para. 183.

4/ Ibid., para. 187.

5/ Ibid., Forty-fourth Session, Supplement No. 30 (A/44/30), vol. II, chap. VI.